



**APPLIED**

Industrial Technologies®

*We Keep Industry Running*

## **Investor Presentation**

This presentation contains statements that are forward-looking, as that term is defined by the Securities and Exchange Commission in its rules, regulations and releases. Applied intends that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are often identified by qualifiers such as “believe,” “expect,” “outlook,” “project” “guidance,” “target,” “objectives,” “will” and derivative or similar expressions. All forward-looking statements are based on current expectations regarding important risk factors including trends and events in the industrial sector of the economy (such as the inflationary environment and supply chain strains), results of operations, and financial condition, and other risk factors identified in Applied’s most recent periodic report and other filings made with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by Applied or any other person that the results expressed therein will be achieved. Applied assumes no obligation to update publicly or revise any forward-looking statements, whether due to new information, or events, or otherwise.

## **Non-GAAP Financial Measures**

This presentation sets forth certain non-GAAP financial measures - Adjusted Gross Margin; EBITDA; Adjusted EBITDA; Adjusted EBITDA Margin; Free Cash Flow; Net Leverage Ratio - which are presented as supplemental disclosures to Net Income; Cash from Operations; Total Debt Outstanding; and reported results. Management believes these measures are useful indicators for normalizing earnings for non-routine items and facilitating effective evaluation of operating performance. A presentation of the most directly comparable GAAP measure and reconciliations of Adjusted Gross Margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, and Net Leverage Ratio are set forth in the appendix to this presentation.



## Strategic Focus on

### Technical Products & Solutions

*~80% of Sales Generated From #1 or #2 Market Positions*



Bearings & Power Transmission



Fluid Power



Process Flow Control



Advanced Automation

## We Are One of the Largest Distributors and Solution Providers of Industrial Motion, Power, Control, & Automation Technologies

**\$4.5B**

Revenue

**\$553M**

EBITDA

**\$7.5B**

Market Cap

**8.8M**

Accessible  
Products SKUs

**3,200+**

Customer Facing  
Associates

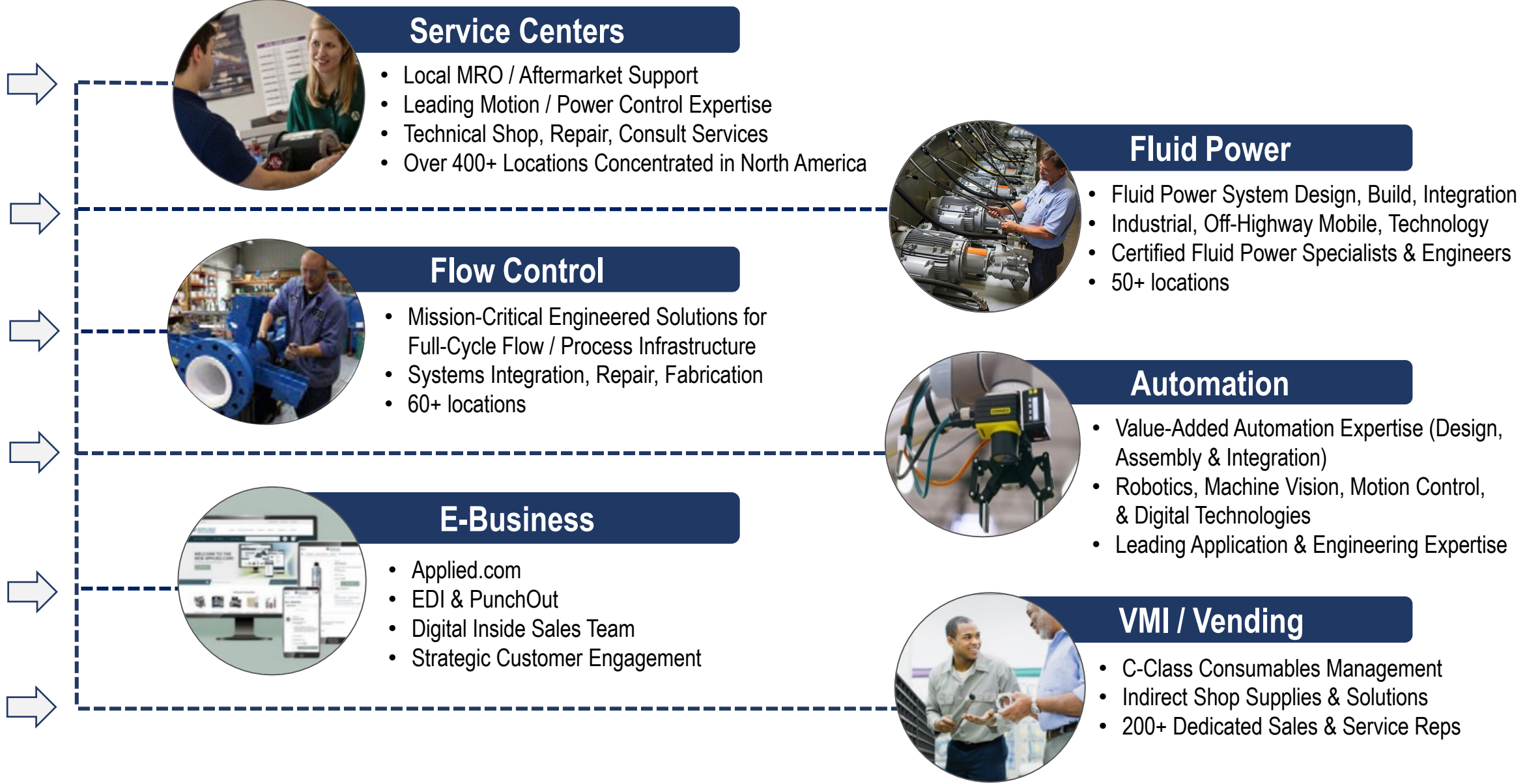
**590**

Service  
Facilities

*Headquartered in Cleveland, Ohio*

*Notes: 1) Revenue and EBITDA based on reported fiscal 2024*

Industrial Customer





**Power  
Transmission**



**Bearings,  
Linear, Seals**



**Fluid Power**



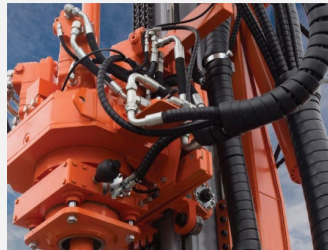
**Flow Control**



**Advanced  
Automation**



**General MRO;  
Hose Products**



*We Are*  
**Applied**<sup>SM</sup>

**Industrial Motion, Fluid Power, Flow Control,  
Automation, Maintenance Supplies**



# Customer Application / Cross-Sell Potential of Applied® Products & Solutions

## Service Centers

Mounted bearings, gearing, & couplings for processing equipment & machinery break-fix applications



## Service Centers

Fluid power MRO supplies, including cylinders, valves, & hoses to support regular maintenance on core systems



## Specialty Flow Control

Pumps, valves, instrumentation, hoses, & filtration to ensure precise control of pressure, temperature, levels, flow, & product quality across process lines



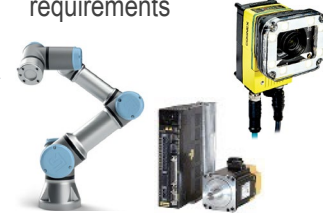
## Service Centers

Maintenance & repair on belting, pulleys, & clutches for conveying & movement of processed materials & end-product



## Automation Solutions

Collaborative robots, motion control, & machine vision for finishing, packaging, quality inspection, & other automation requirements



## Fluid Power

Design & build hydraulic power units for single machine or central plant power requirements



## Specialty Flow Control

Steam specialties, heat exchangers, valves, instruments, & pumps to control plant utilities for improved energy conservation & waste management



## Indirect Consumable Supply Solutions

VMI, vending, & storeroom technology solutions in support of MRO consumable supplies within back office, administrative & support areas



## Fluid Power

Design & build automated pneumatic systems that control / move product to various fill & weigh stations



## Smart Solutions (IIoT)

Sensors, machine vision, & industrial networking in support of remote monitoring, maintenance analysis, & operational insights



## Automation Solutions

Design, engineer, & build automated systems used for moving, weighing, sorting, processing & cleaning product



# Primary Supplier Partners



ENGINEERING  
TOMORROW



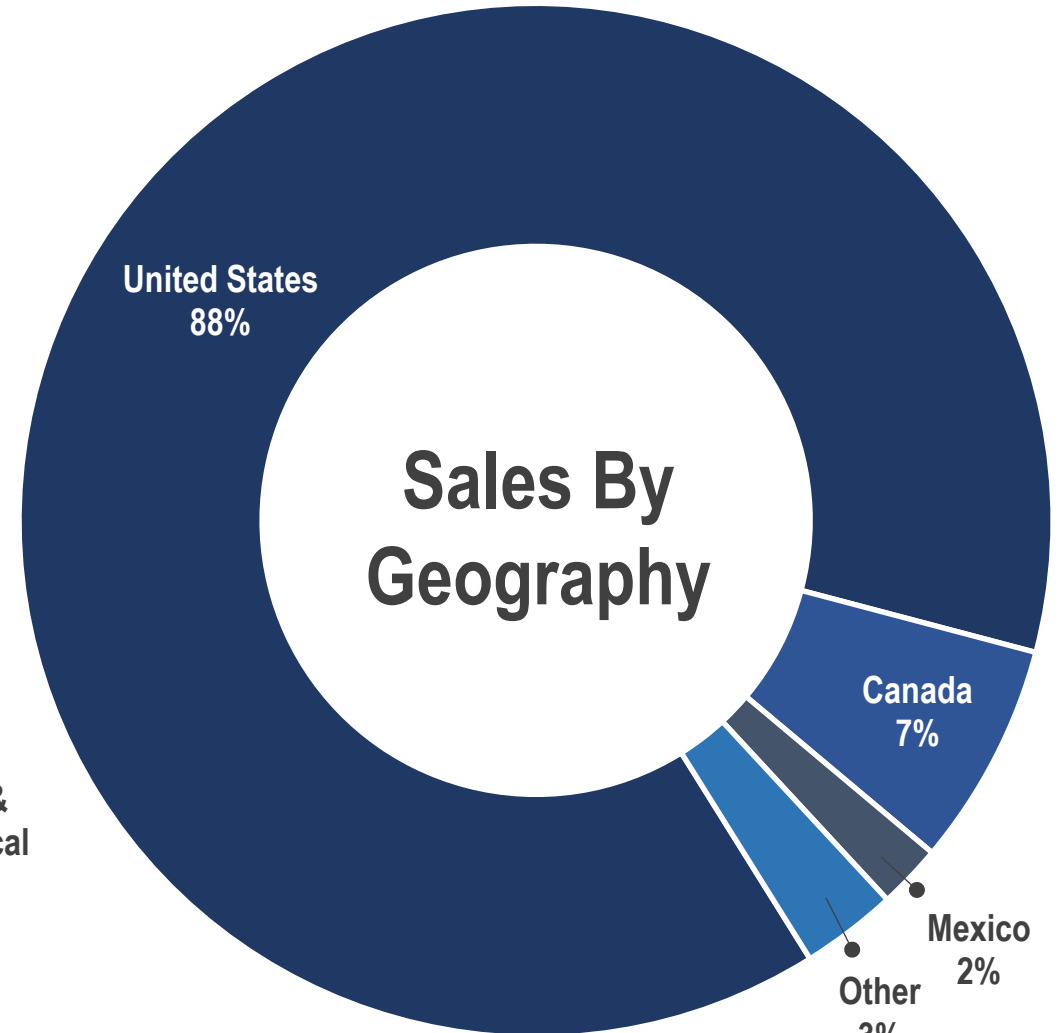
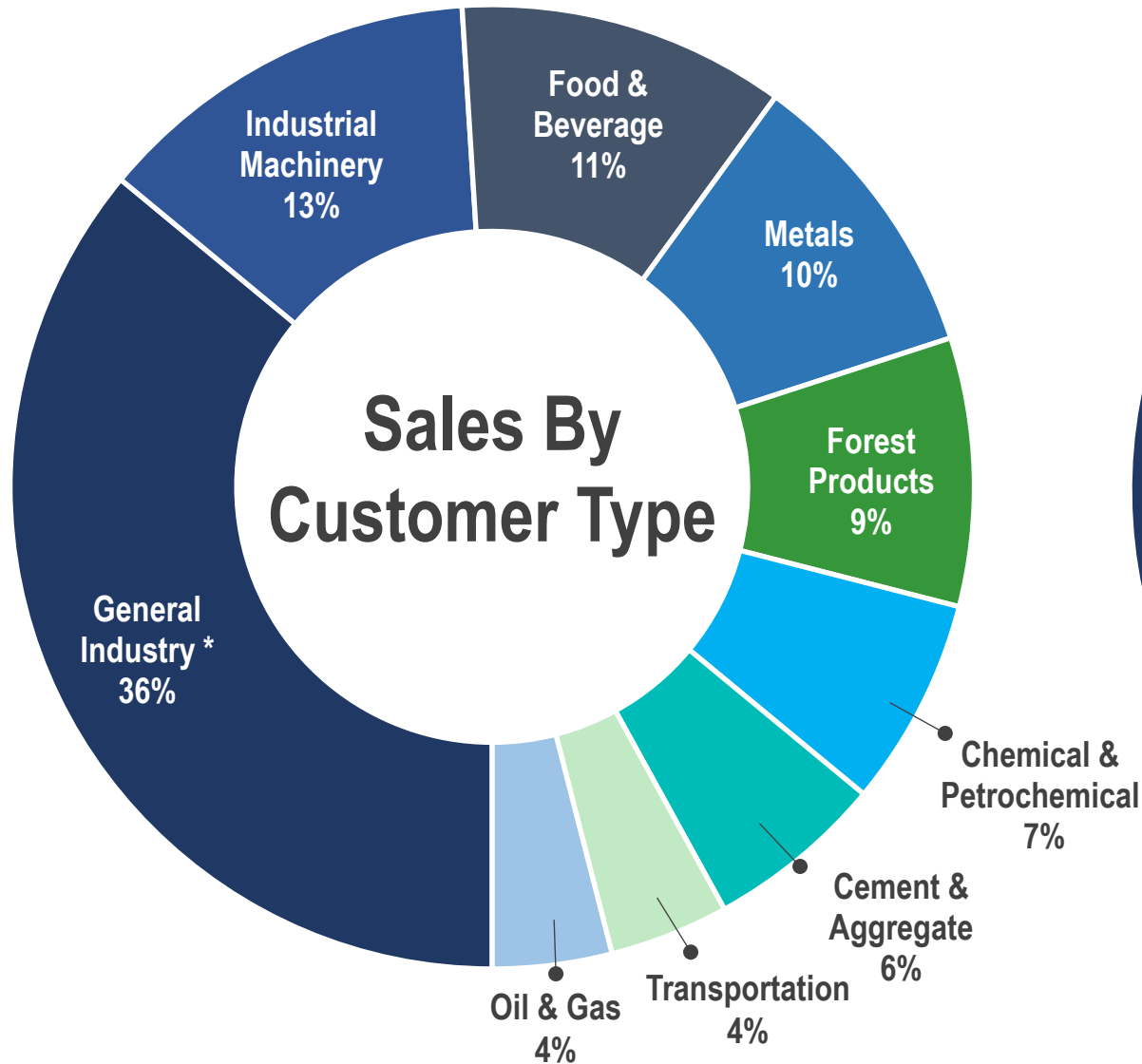
ITT



Sumitomo Drive Technologies



# Customer & Geographic Exposure



\* General Industry includes all other industries representing 4% or less of sales; includes Utilities, Rubber & Plastics, Construction, Technology, Agriculture, Automotive, and Life Sciences; Based on fiscal 2024 sales



## CORE

- World-Class Brands
- Critical Support to Industrial Infrastructure
- Technical & Solutions-Based Focus
- Embedded Industrial Customer Base
- Recurring MRO Revenue Stream
- Enhanced Operating Profile
- High Cash Flow Model

## Supports Growth Into Higher Margin Engineered Solutions & Emerging Areas of the Industrial Sector

Fluid Power • Flow Control •  
Advanced Automation • Smart Technologies  
*(Expand & Cross-Sell Across "Core" Customer Base)*

## Operational Focus

- History of Cost Discipline
- Operational Excellence Initiatives
- Shared Services Deployment
- Ongoing Sales Process Refinement
- System Investments & Analytics
- Talent Development

## GUIDED BY CORE VALUES

Integrity • Respect • Customer Focus •  
Commitment to Excellence • Accountability •  
Innovation • Continuous Improvement •  
Teamwork

## Financial Targets

Mid Single-Digit Organic Growth  
Gross Margin Expansion Through a Cycle  
13%+ EBITDA Margin Target (12.4% in FY24)  
Working Capital <= 20% of Sales

**Acquisitions** (*LSD\* % growth contribution annually*)  
**Organic Capital Redeployment**

**Dividend Growth** (*track normalized EPS growth*)  
**Share Buybacks** (*~\$130M last five years*)

**Multiple Expansion** = *enhanced margin / returns, stronger growth, scaling market cap, IR initiatives*

**Double-Digit Earnings CAGR**  
**Free Cash >100% of Net Income**

**SHAREHOLDER RETURNS**

Note (\*): LSD = Low Single-Digit

# Key Growth & Operational Considerations

*Our products & solutions are increasingly critical across the industrial supply chain...*

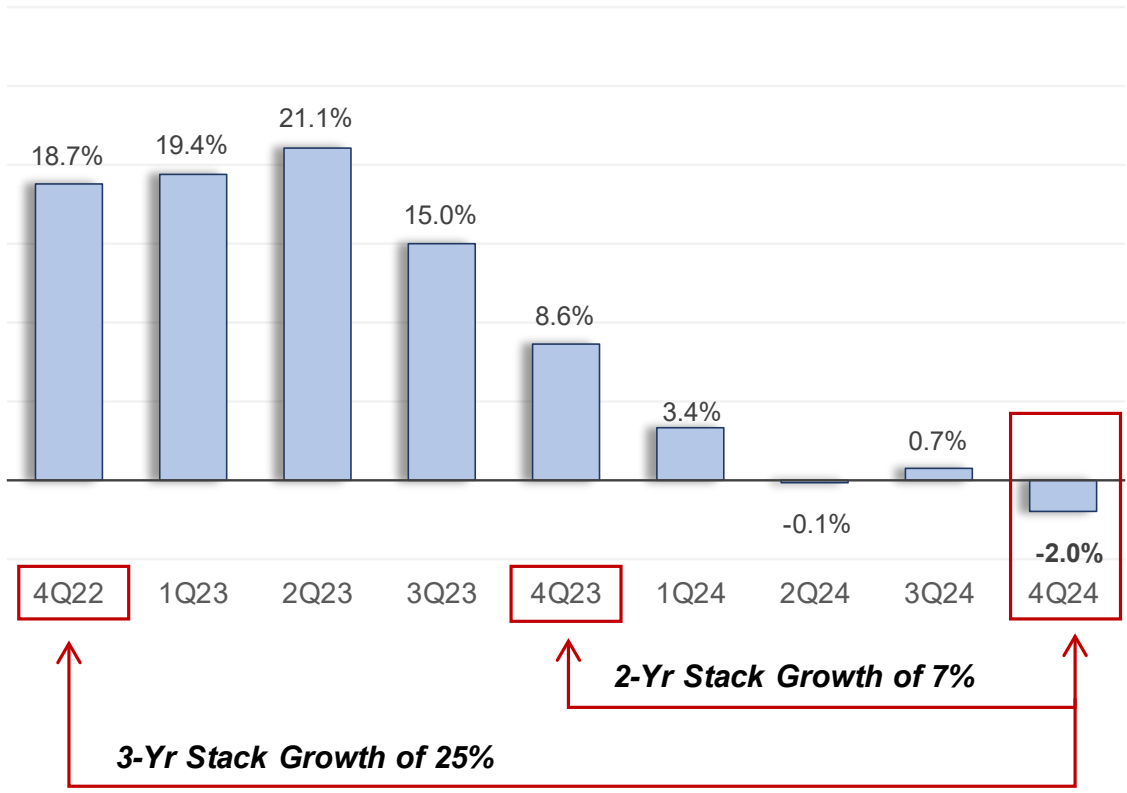
- **Break / Fix Demand:** Structurally higher given greater production and capacity utilization on aged manufacturing infrastructure across North America.
- **Customer Outsourcing of Technical Needs:** Greater focus on addressing skilled labor constraints and needing qualified providers to support growth.
- **Industrial Facility Optimization:** Greater focus on plant floor optimization / automation and equipment maintenance to support supply-chain hardening.
- **Energy Efficiency:** More stringent facility and equipment standards to lower carbon footprint driving increased technical MRO needs and capex.
- **Manufacturing Reshoring:** Greater customer push to diversify production concentration and reduce risks inherent in long-distance supply chains.
- **Demand for Next Generation Industrial Solutions:** Evolving production strategies and re-prioritizing investments in automation and IIoT.
- **Industry Consolidation:** Acceleration of market share toward leading distributors given greater operational, supply chain, and capital requirements.

*...while our operational platform and internal capabilities have never been stronger*

- **Expanded & Enhanced Offerings:** Fluid Power, Flow Control, Automation, Consumables
- **Cross-Sell Opportunity:** Leveraging Legacy Service Center Network, Strategic Accounts
- **Greater Technical Focus:** Expansion of Engineered Solutions, Technical Customer Support
- **Enhanced Systems & Processes:** Established ERP, Analytics, Sales Tools & Processes, HR / Talent
- **Operational Excellence:** Strong Learning Foundation, Integrated Strategy, Greater Shared Services Deployment
- **Enhanced Digital Platform:** Applied.com, EDI, PunchOut, Inside Sales Team



## Year-over-Year Organic % Change in Sales Per Day



## F4Q24 Sales Growth Detail

- Down 2.0% YoY on an organic daily basis; end-market demand softer than expected including muted activity during June
- Average daily sales flat sequentially on an organic basis, +7% on a 2-year YoY stack, and +25% on a 3-year YoY stack
- Estimated price contribution in the low single-digits percent
- Trends consistent with recent industrial data points; customers conservatively managing capital spending and production schedules given higher interest rates and business uncertainty
- 14 of top 30 industry verticals up YoY in F4Q24 compared to 15 during F3Q24 \*
- Strongest growth across food & beverage, metals, transportation, refining, and mining
- Offset by declines primarily in machinery, energy, pulp & paper, fabricated metals, rubber & plastics, and utilities

\* Based on largest 30 industry verticals for fiscal 2023  
 Note: Represents fiscal quarter

# Other Investor Discussion Points – Q4 FY24

## Discussion Point

## Update

## Detail

### Underlying Demand



Customer spending slowed further in F4Q24 and remains mixed; weakness most pronounced across OEM markets and capital projects; MRO related sales (~70% of total sales) holding in but more muted vs. prior quarters

Organic daily sales down 2.0% YoY in F4Q24 vs. up 0.7% in F3Q24, and relatively unchanged sequentially (vs. +LSD historical 4Q/3Q seasonality); ES segment down 4.6% YoY and SC segment down 0.7% YoY on an organic daily basis

### ES Segment Trends



ES segment sales weaker than expected given ongoing softness across Fluid Power customers; balanced by positive Flow Control sales growth and strong segment margin performance, as well as inline Automation sales

ES sales reflect HSD declines in Fluid Power, MSD declines in Automation, and a LSD increase in Flow Control; ES segment EBITDA up 4.5% YoY and EBITDA margin up ~95 bps YoY to nearly 16% in F4Q24

### Margin Improvement



Strong margin improvement primarily driven by underlying execution, ES segment mix on greater solution sales, variable cost adjustments, and lower LIFO expense; expect margin trends to ease sequentially near term, but view FY24 performance as indicative of margin expansion potential

F4Q24 gross margin up 146 bps YoY at nearly 31%, and EBITDA margins up 113 bps at over 13%; includes 67 bps of YoY LIFO favorability, as well as ongoing growth investments; gross margin and EBITDA margin up a respective 68 bps and 47 bps in FY24 despite muted sales backdrop

### FY25 Outlook



Expect industrial activity to remain muted near term; see potential for a sales reacceleration as FY25 plays out given easing comparisons, potential tech vertical rebound, automation business funnel, flow control pipeline, and a potential catch up in required technical MRO activity

Organic sales F1Q25 to date down by a MSD percent YoY; FY25 guidance (org/day -4% to +1%) assumes demand moderation in 1H & stabilization in 2H; recent positive datapoints include firm U.S. capacity utilization, tech/semi indicators, and customer messaging in automation

### Capital Allocation



Balance sheet and liquidity in solid position to support ongoing growth initiatives and increase shareholder returns; M&A pipeline remains active; ongoing scope for share buybacks and dividend growth moving forward

Closed two bolt-on acquisitions in early August within our Service Center and Fluid Power operations; deployed \$73M on share buybacks in FY24 including \$45M in F4Q24; deployed more than \$1B in total capital the past 5 years

Note: LSD = Low Single-Digits, MSD = Mid Single-Digits, HSD = High Single-Digits



## Fiscal 2025 Guidance

<b>Total Sales - YoY % change</b>	<b>-2.5%</b>	-	<b>+2.5%</b>
<i>Organic Avg Daily Sales - YoY % change</i>	<i>-4.0%</i>	-	<i>+1.0%</i>

<b>EBITDA Margin</b>	<b>12.1%</b>	-	<b>12.3%</b>
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<b>Diluted EPS</b>	<b>\$9.20</b>	-	<b>\$9.95</b>
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### Additional Assumptions:

Depreciation & amortization expense	\$53	-	\$55
Interest & other expense	\$2.0	-	\$3.0
Effective tax rate	23.0%	-	24.0%

## Guidance Assumptions:

- Mid-point assumes ongoing moderation in underlying industrial activity through 1H, followed by stabilization in 2H
- Modest LSD price contribution to sales growth
- Mid-point assumes 2H organic daily sales up LSD YoY
- Excludes contribution from future M&A and/or share repurchases
- Potential support/upside from industry position, sales initiatives, active cost controls, operational focus, a pending recovery in technology vertical and automation operations, and/or a sooner than expected rebound in end-market demand
- F1Q25 assumptions:
  - MSD YoY decline in organic daily sales
  - Gross margins down sequentially
  - EBITDA margins of 12.0% to 12.2%

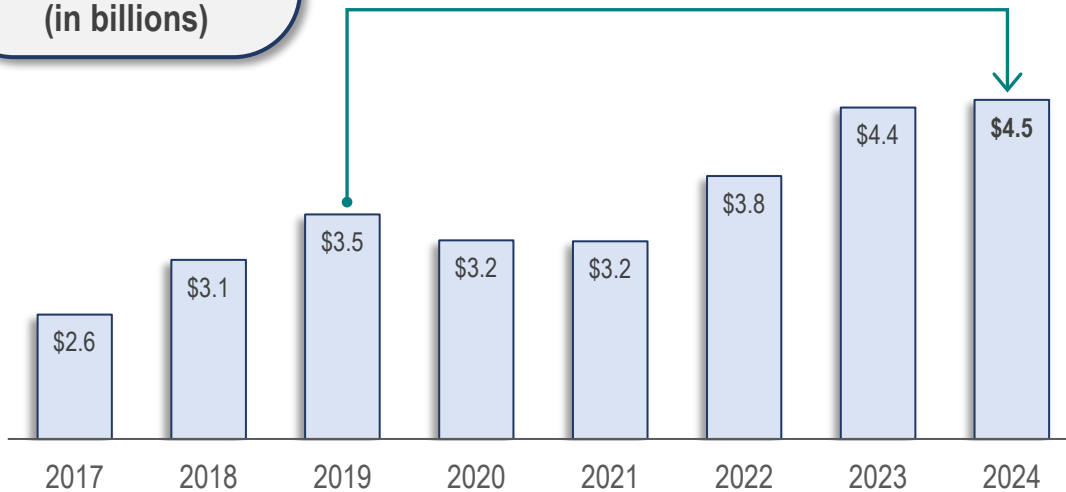
Notes: 1) \$ amount in millions except EPS

2) LSD = Low Single-Digits, MSD = Mid Single-Digits

# Historical Financial Highlights

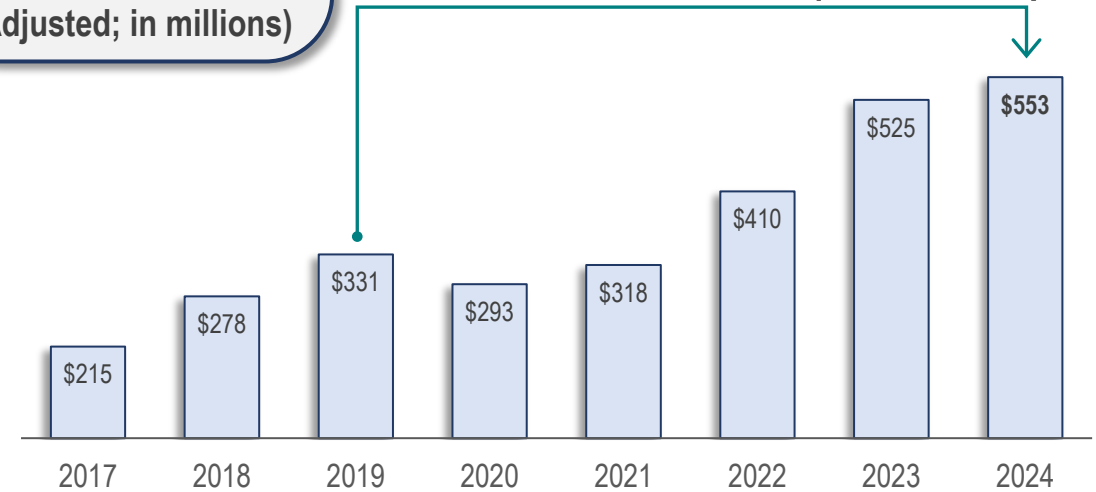
## Net Sales (in billions)

**5% Five-Year CAGR (2019-2024)**



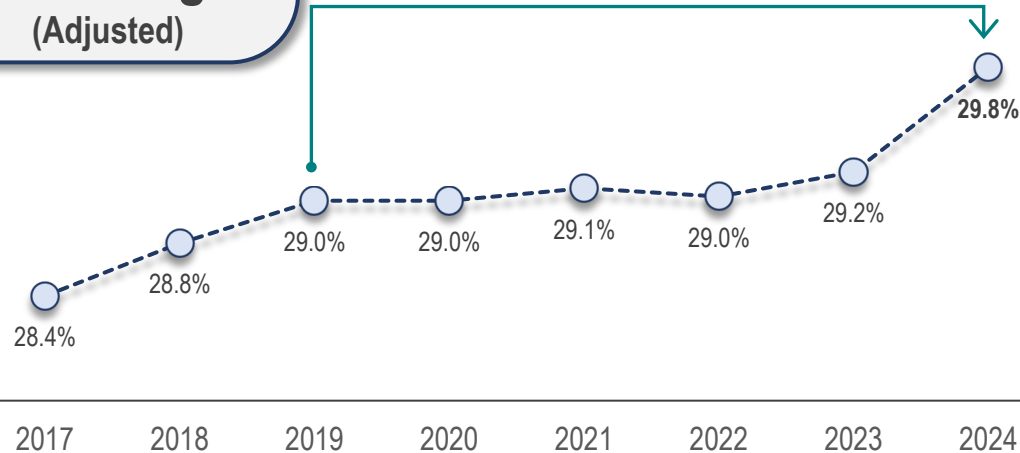
## EBITDA (Adjusted; in millions)

**11% Five-Year CAGR (2019-2024)**



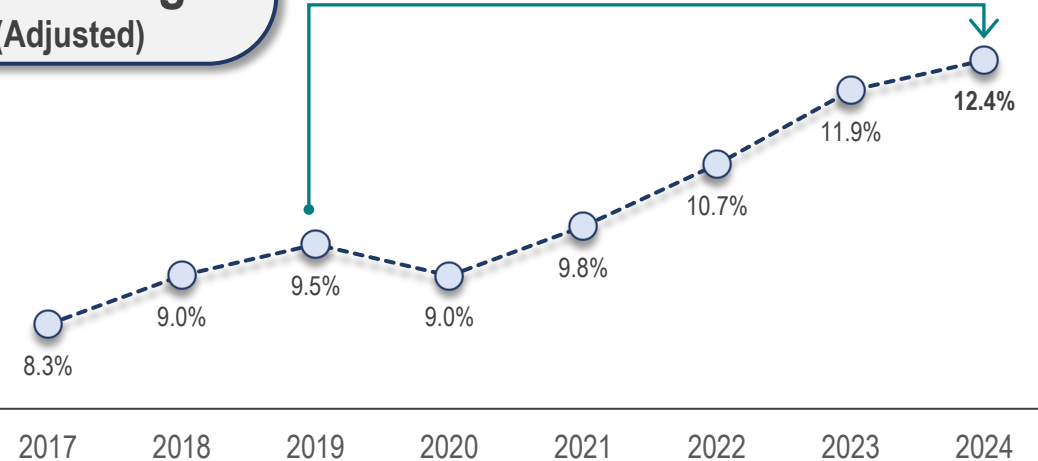
## Gross Margins (Adjusted)

**Up 80 bps Since 2019**



## EBITDA Margins (Adjusted)

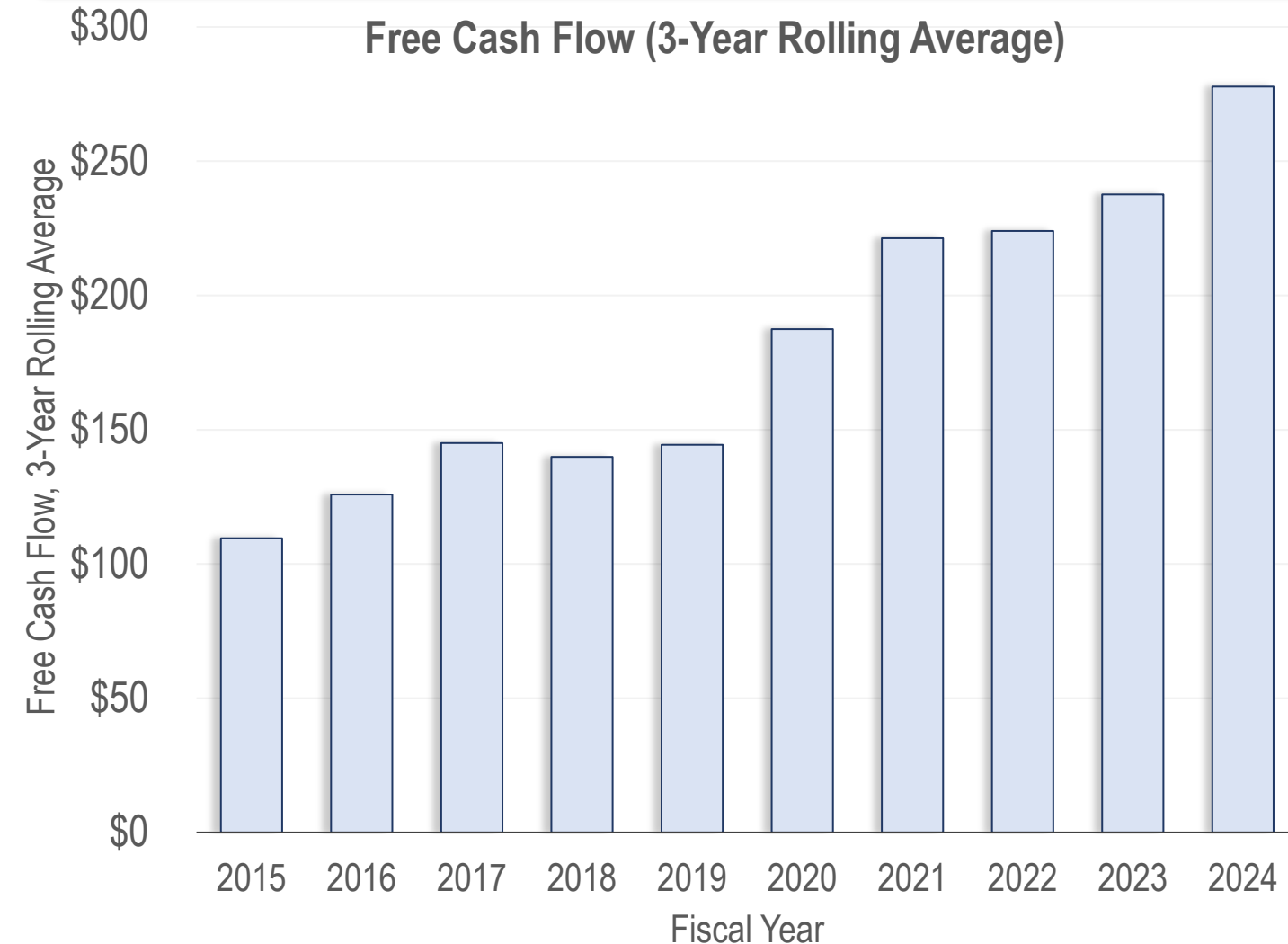
**Up 280 bps Since 2019**



Note: Represents fiscal years ending June 30

**Track Record of Financial Resiliency, Enhanced Growth, & Margin Expansion**

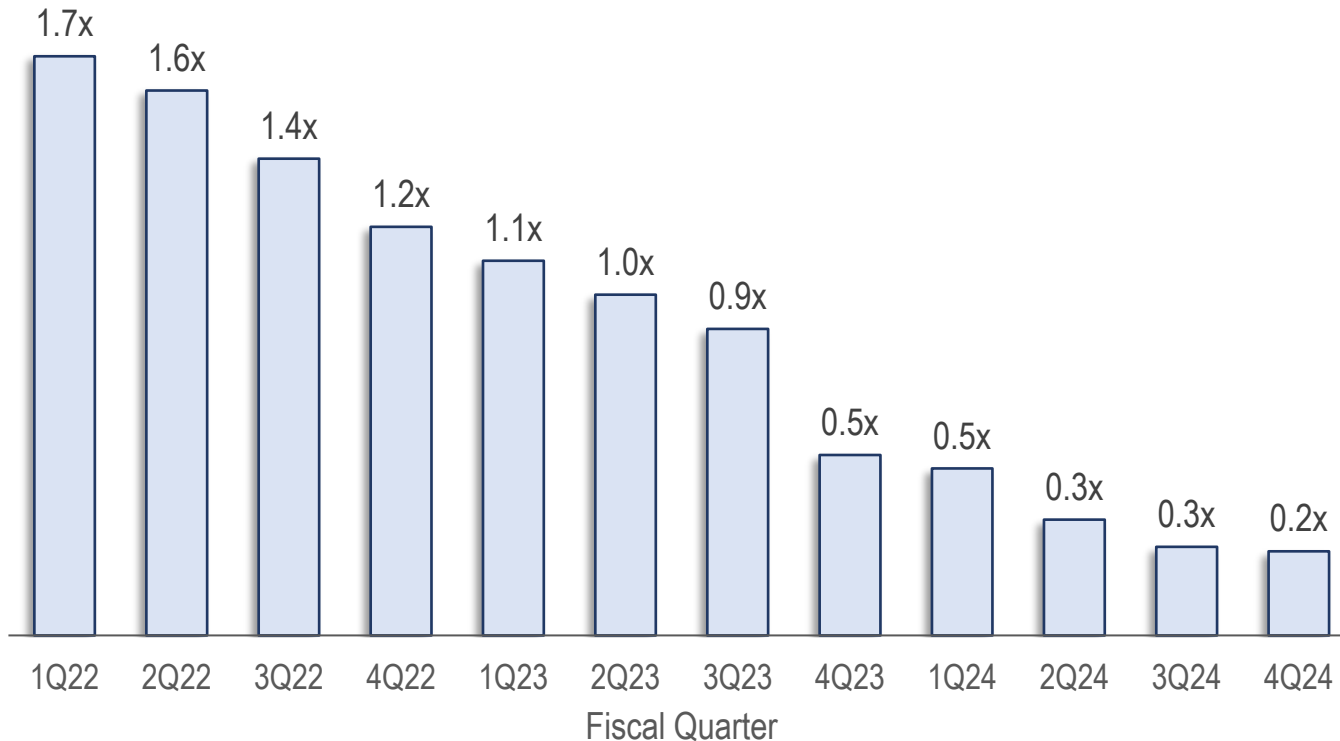
## Durable & Solid Cash Generation Through All Cycles



## Strategic Initiatives Aligned to Drive Greater Cash Generation

- Average FCF Conversion of ~111% Past 5 Years
- Increased Scale & Margin Expansion Potential
  - Growth in higher margin areas of business
  - Intermediate sales target of \$5.5B+
    - \$4.5B in FY24
  - Intermediate EBITDA margin target of 13%+
    - 12.4% in FY24
- Working Capital Management Initiatives & Potential
  - Expansion of shared services model
  - Cross-functional inventory planning
  - Collections initiatives
  - Leveraging systems investments
  - Local account growth
  - Growth in engineered solutions (lower WC)

## Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)

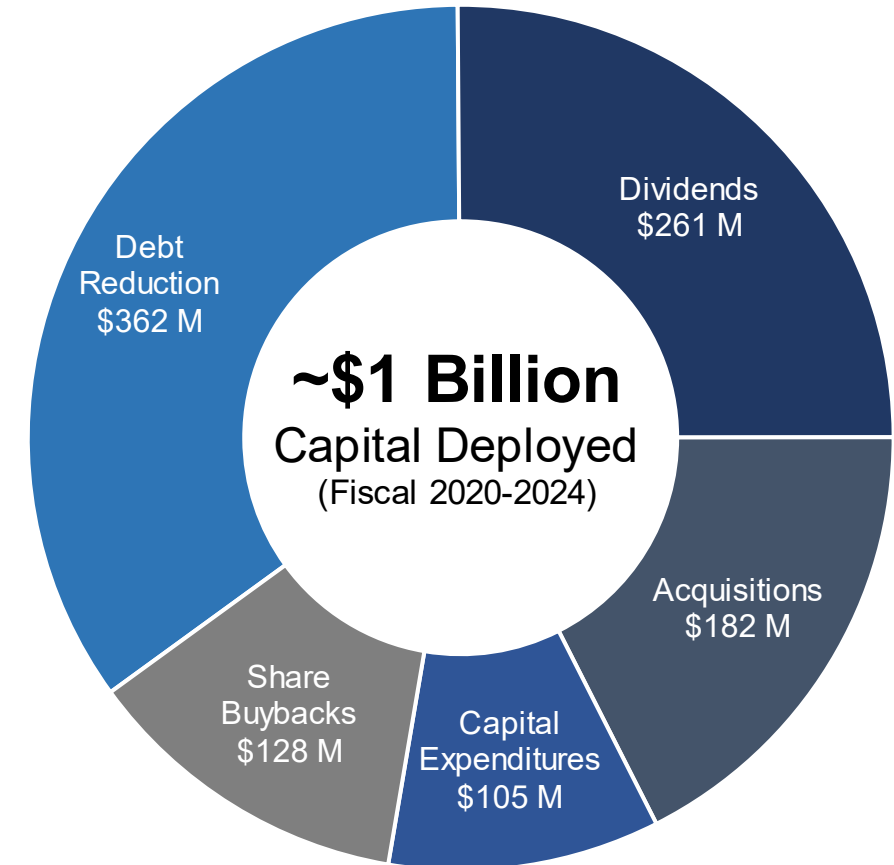
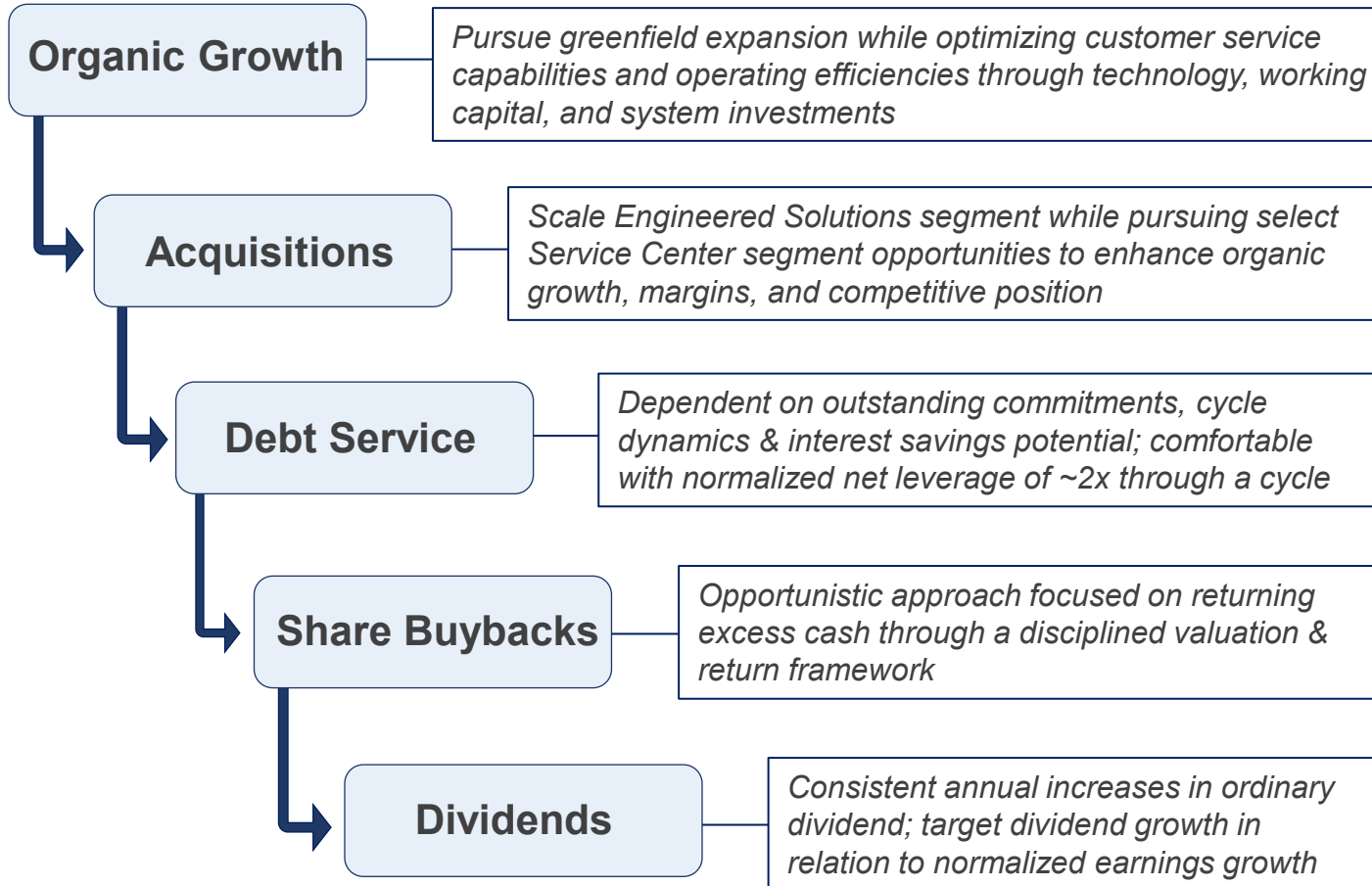


## Balance Sheet & Liquidity (As of June 30, 2024)

- Net leverage ratio at 0.2x
- \$461M of cash on hand
- Total debt down ~40% since early 2018
- Over \$800M of potential balance sheet capacity under undrawn revolver, AR securitization facility, & uncommitted shelf facility
  - Additional \$500M accordion option available under revolver



## Deployment Priorities & Strategy



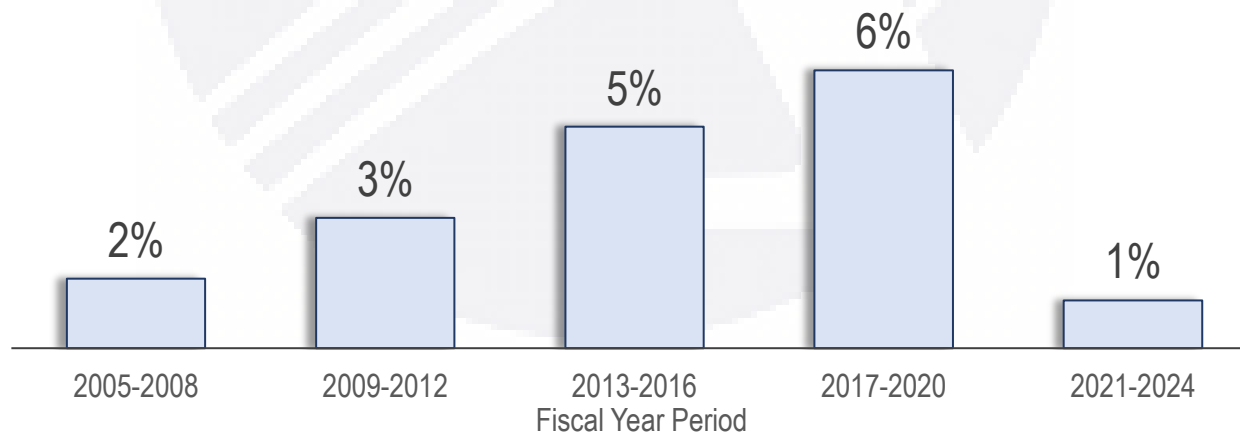
**\$251M capital deployed in fiscal 2024**

## Active Acquisition Pipeline Aligned with Long-term Growth Priorities...

### • Acquisitions Remain an Element of Growth Formula

- Over 50 acquisitions since 2000
- 36 acquisitions since 2012 representing over \$1B in annual sales
- Average Annual Target = low single-digit % sales growth contribution
- High industry fragmentation presents consolidation opportunity
- Customers partnering with fewer, more capable providers
- Greater operational requirements constraining smaller providers
- Augment supplier reach / penetration within key verticals

### Average Annual Sales Growth From Acquisitions



### Acquisition Priority Areas

***Focused on Expanding Current Offering While Further Enhancing Our Technical Differentiation & Value-Add Solution Capabilities***

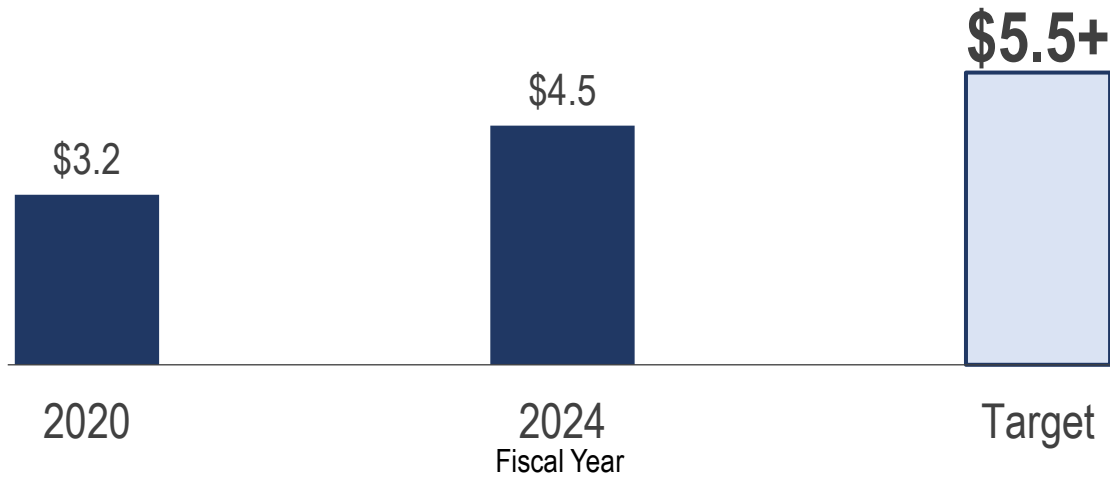


Automation

Flow Control

Fluid Power

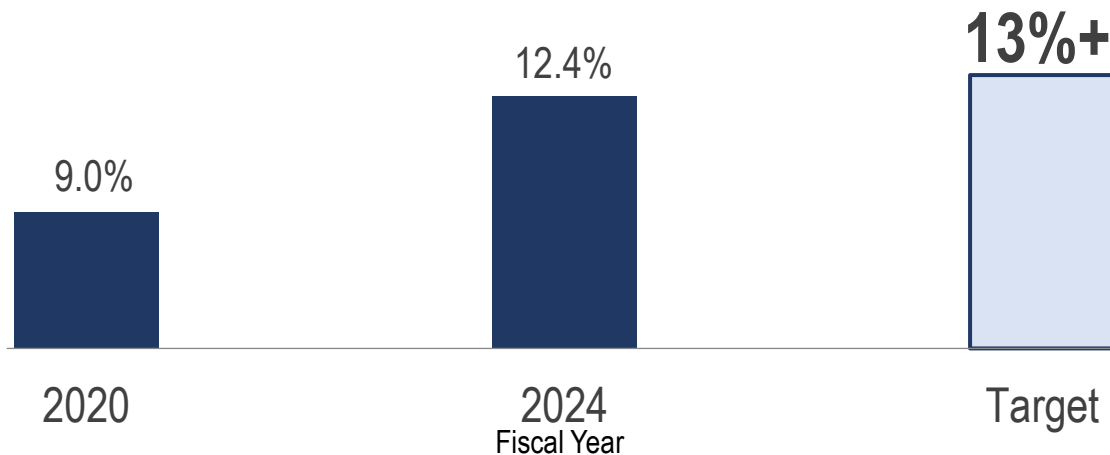
## Net Sales – Grow to Over \$5.5 Billion



## Strategic Drivers & Considerations

- Mid Single-Digit Plus Organic Growth on Average Over an Upcycle
- Greater Cross-Selling Across Legacy Customer Network
- Secular Tailwinds From Leading Technical Industry Position
- Ongoing Expansion of Automation and Digital Offerings
- Low Single-Digit Annual Growth Contribution From Acquisitions
  - *Primary Focus on Automation, Flow Control, and Fluid Power*
- High Single-Digit Sales CAGR Over Horizon

## EBITDA Margins – Expand to 13%+



## Strategic Drivers & Considerations

- Mid to High-Teen Incremental Margins on Average Over Upcycle
- Leveraging of Systems Investments and Shared Services
- Ongoing Operational Excellence Initiatives
- History of Cost Discipline and Accountability
- Expansion of Higher Margin Products and Solutions
- Double-Digit EPS CAGR Over Horizon

## Service Center Based Distribution

**68%**  
of sales<sup>(1)</sup>

Service center distribution network across North America, Australia, & New Zealand; Focused on MRO motion & power control solutions for critical break-fix applications; includes technical shop & inventory management solutions

### Key Growth & Operational Considerations

- Recurring break-fix demand; equipment / facility optimization
- Customer labor constraints; greater technical requirements
- Reshoring & increased industrial capex; local account growth
- Sales process optimization; enhanced digital capabilities
- Embedded customer base ripe for cross-selling

## Engineered Solutions

**32%**  
of sales<sup>(1)</sup>

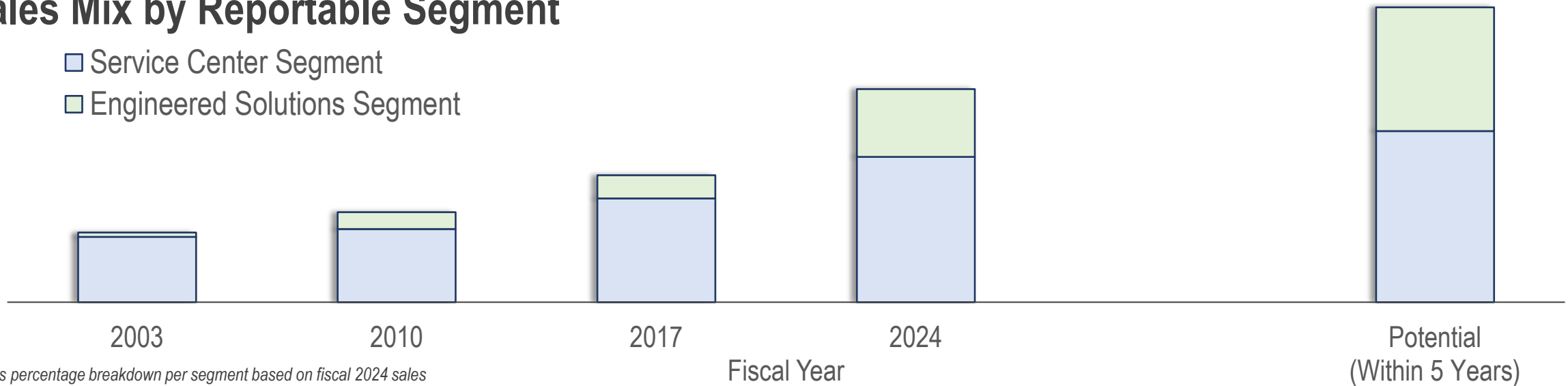
Specializing in distributing, engineering, designing, & integrating hydraulic, pneumatic, & flow control technologies, as well as advanced automation solutions including robotics, machine vision, industrial networking, & digital offerings

### Key Growth & Operational Considerations

- Higher margin & faster growing area of Applied®
- Production efficiency, remote / control integration, compliance
- Technical capabilities; footprint expansion & cross-sell opportunity
- Expanding position in advanced automation solutions
- Diversification into new end markets with secular tailwinds

## Sales Mix by Reportable Segment

- Service Center Segment
- Engineered Solutions Segment



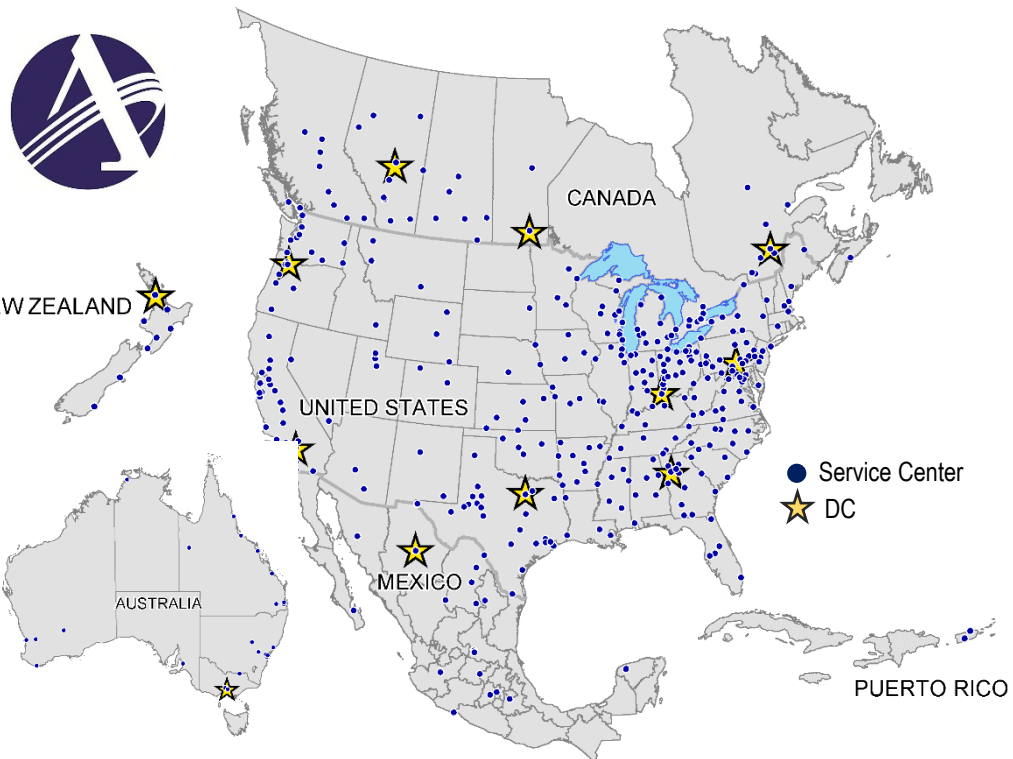
(1) Sales percentage breakdown per segment based on fiscal 2024 sales

# Service Center Network

- Network of service locations supporting industrial motion & power control MRO requirements
- Over 400 locations across North America, Australia, & New Zealand
- Local market focus with overnight inventory replenishment from 12 distribution centers
- 24 / 7 emergency service tailored to minimize customers' production downtime
- Over 50% of sales tied to break-fix situation at customers' facility
- Authorized distributor of more than 8.8 million products with a focus on premier brands



## Applied Service Center & DC Locations



## Customer Return-Enhancing Solutions

- **Documented Value-Added<sup>®</sup> Report:** Analysis & evaluation of cost savings
- **Maintenance PRO<sup>®</sup>:** Technical training for customer employees
- **Industrial Rubber Services:** Shop network offering fabrication, installation, repair, & warehousing of industrial belting, hosing, & conveyor supplies
- **Repair & Rebuild:** Analysis & evaluation of repair options; parts reworked to specifications
- **Inventory Management:** Evaluation of customers' replenishment cycles; committed inventory of critical spares
- **AppliedSTORE<sup>®</sup>:** Comprehensive tracking system to control & manage customers' supply storeroom
- **Linear Shafting Services:** Cut, machine, stock & ship customized lengths of shafting





**Fluid Power 101:** Hydraulic & pneumatic technologies using liquids & gases under pressure to transmit power

**Advantages:** More power in smaller spaces than other forms of power transmission

- *Hydraulics (uses liquids):* high power-to-weight ratio, high torque at low speed, reliability
- *Pneumatics (uses gases):* inexpensive, lightweight, clean, speed, precision

**Secular Tailwinds:** Electronic control integration, equipment power consumption, equipment electrification, autonomous mobile equipment, emissions control, remote monitoring, machining advancements, IIoT integration, data analytics, precision machine performance

## The Leading Provider of an Unmatched Industrial Power & Efficiency Solution

### Key Applications & Market Focus

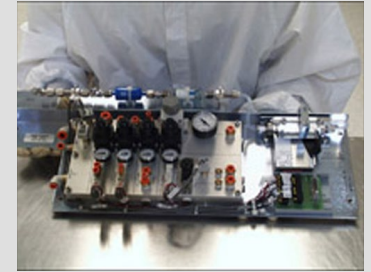
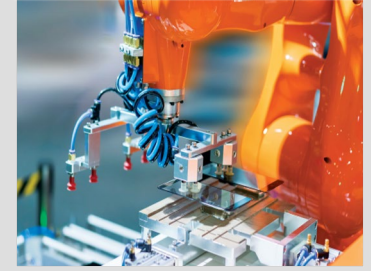
#### Off-Highway Mobile



#### In-Plant Industrial



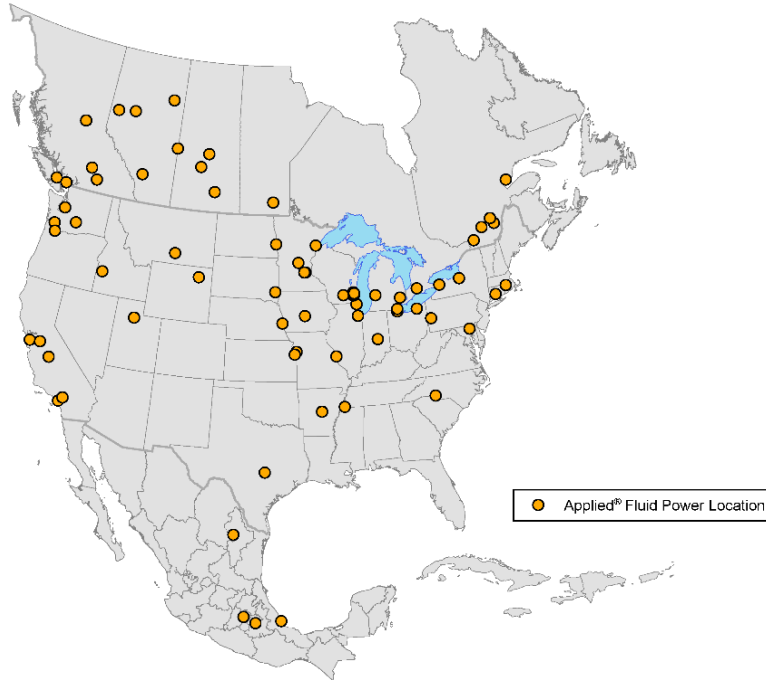
#### Technology





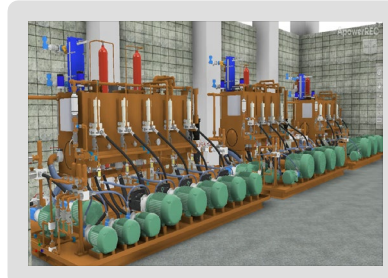
Fluid Power™

*Largest Fluid Power Distributor  
in North America*



We Provide Innovative Fluid Power Solutions Through Unmatched Engineered Systems Design, Assembly, Integration, & Service Capabilities

Engineering & Design



- Customized fluid power systems for specific applications
- Certified engineers & designers
- CAD software & 3D modeling
- Customer consultation, analysis

System Build & Integration



- Hydraulic Power Units
- Cartridge Valve Manifolds
- Lubrication & Filtration Systems
- Electronic Control Integration
- Sensor & Robotics Implementation

Service & Repair



- Repair facilities for pumps, motors, valves & cylinders
- Fluid power specialists with service center support
- Team of technicians
- Inspection & testing services



## *Flow Control*

**Flow Control 101:** Products used to manage & control the flow of liquids & gases within an industrial facility or process industry

**Product Detail:** Includes flow handling (pumps, compressors), flow management (valves, actuators) & specialty equipment (instrumentation, filtration); typically engineered or customized for specific industry application; requires technical aftermarket support

**Secular Tailwinds:** Process industry infrastructure expansion, more stringent regulatory & compliance standards, customer technical labor constraints, automation, growth in hygienic & high purity applications, integration of IIoT, customer de-carbonization initiatives

## The Leading Provider of Process Flow Control Solutions to the Industrial Sector

### Key Applications & Market Focus

#### Chemical



#### OEM & Manufacturing



#### Life Sciences



#### Food & Beverage



#### Steel & Metals



#### Water Infrastructure





# Flow Control Position & Value Proposition

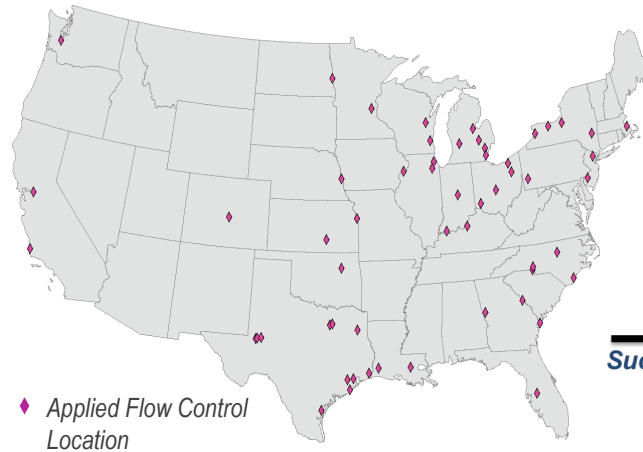


## Flow Control

### Overview & Growth Strategy

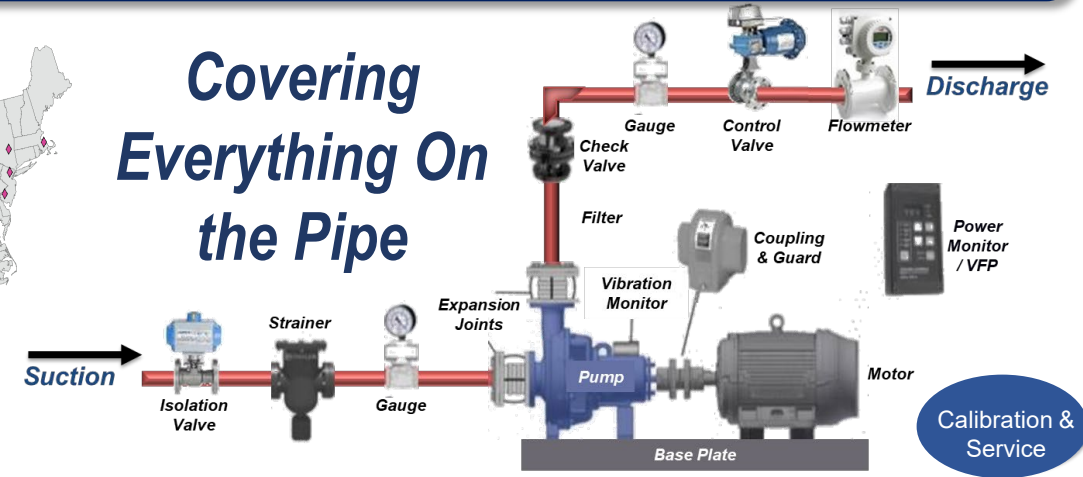
- Leading technical MRO position
- Higher margins from high-touch service capabilities and higher-engineered products
- Significant cross-selling opportunity
- “Acquirer of Choice” status with geographic expansion potential across the U.S.

We Offer the Largest, Most Comprehensive Flow Control Product & Service Portfolio Focused on Mission-Critical & Full-Cycle Solutions



◆ Applied Flow Control Location

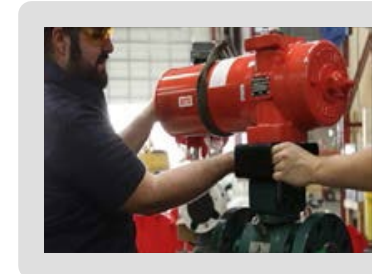
## Covering Everything On the Pipe



Calibration & Service

### Drivers of Competitive Position

- Service & repair capabilities
- Valve actuation, consulting, instrumentation, fabrication, calibration, & commissioning services
- Engineered systems integration expertise
- Comprehensive product offering
- Highly technical sales team
- Long-term supplier relationships





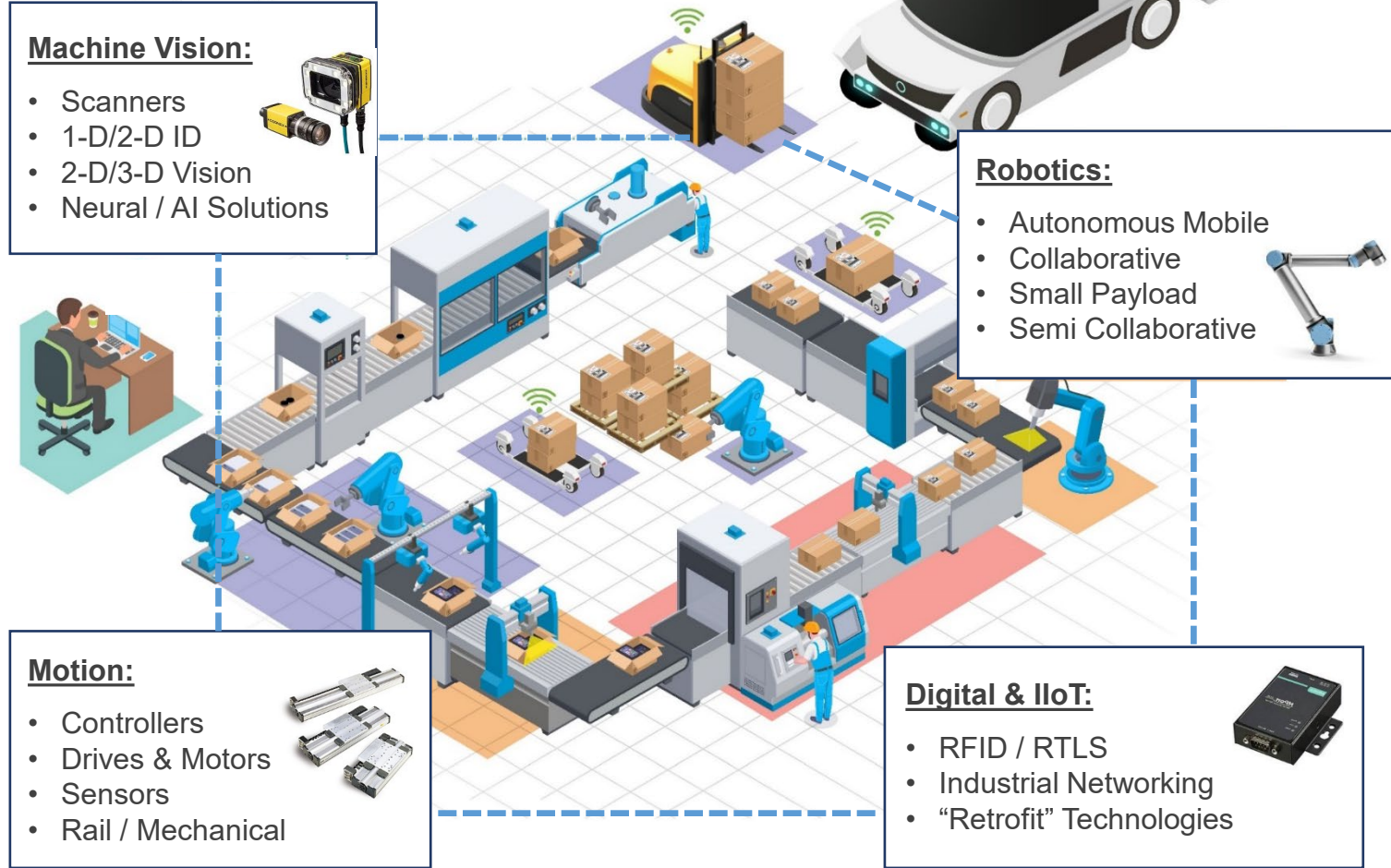
Automation™



- Six Strategic Acquisitions the Past 5+ Years
- Focus on Emerging Automation Technologies
  - Machine Vision
  - Robotics
  - Motion Control
  - Digital & IIoT
- Core Vertical Markets Including Technology, Life Sciences, Food Production, Machinery, Logistics & E-Commerce
- Significant Cross-Sell Opportunity Across Core Service Center Customer Network

A Growing Provider of Next-Generation Automation Supplies & Solutions Focused on Machine Vision, Robotics, Motion, & Digital Technologies

## Evolving Toward the Factory of the Future...



# Increasing Focus on Next Generation Automation & Industry 4.0

## Market Opportunity

Technology converging with traditional industrial supply chains as customers address skilled labor constraints & plant efficiency, while considerations around manufacturing re-shoring & U.S. industrial infrastructure have potential to gain momentum

## Value Proposition

Legacy technical product focus, service capabilities, embedded customer relationships within traditional industrial end markets, knowledge across direct production infrastructure & equipment, & existing supplier relationships



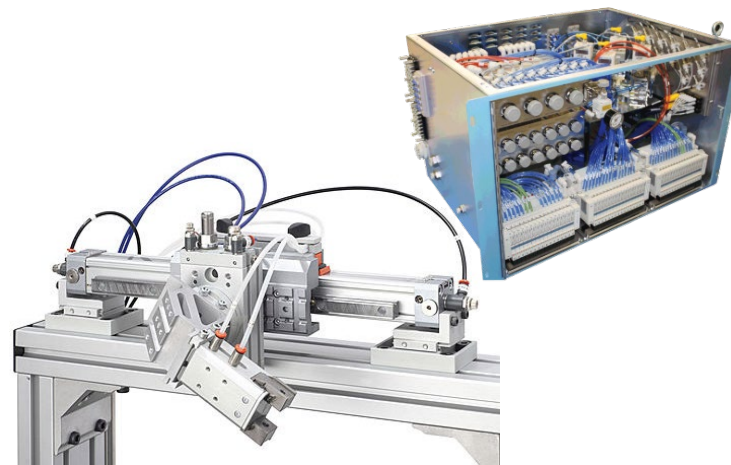
*Legacy in Motion Control & Embedded Industrial Customer Base*



*Leading Technical Position & Engineered Solutions Focus*



**Provides Platform into Next Generation Automation & Industry 4.0**



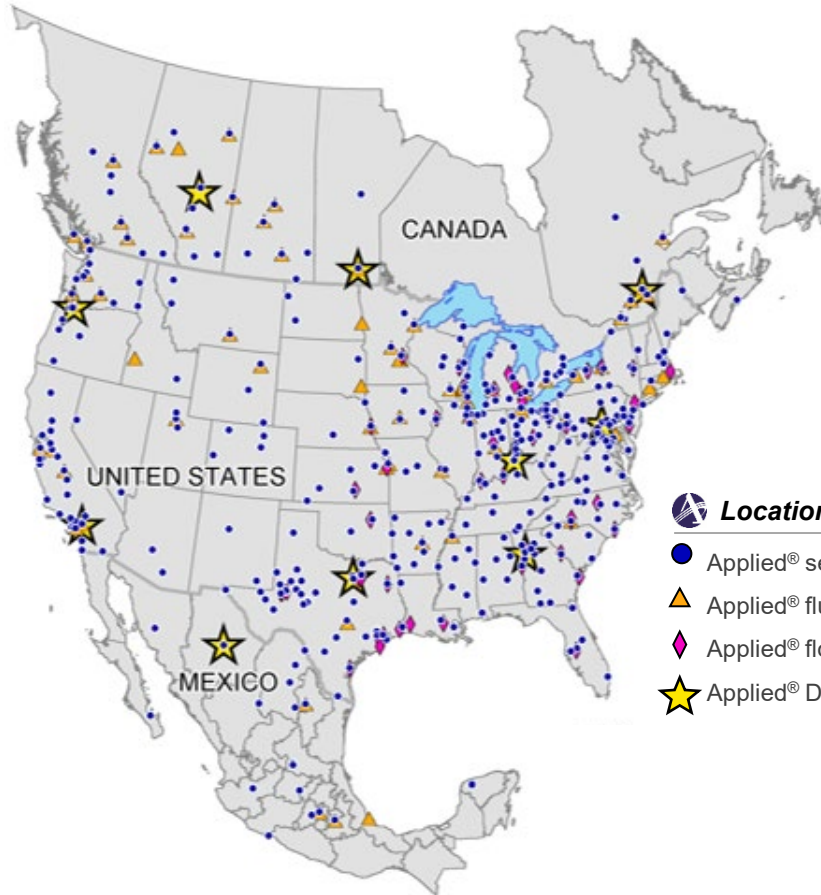
# Increasing Focus on Next Generation Automation & Industry 4.0

Products, Solutions, & Experience Across Legacy Operations



- Electronic Control Integration (*Fluid Power*)
- Pneumatic Automation (*Fluid Power*)
- Valve Actuation (*Flow Control*)
- Sensors & Retrofits (*Service Centers*)
- Motion Control Products (*Service Centers*)

Vast Network with Entrenched Customer Relationships Across Underpenetrated Industrial End Markets



Expansion into Next Generation Automation & Smart Technology Solutions



- Advanced Facility Automation
- Cobots & Mobile Robots
- Machine Vision & RFID
- Industrial Networking, Connectivity
- Specialized Engineered Solutions
- System Design & Assembly

Leveraging Industry Position to Drive Growth Tied to Enhanced Technology & New Market Opportunities



A Leading National Distribution Platform for C-Class MRO Supplies Through Vendor Managed Inventory (VMI) & Vending Solutions

- 200+ Sales & Service Representatives
- 4 Distribution Centers
- 250,000+ SKUs Available
- *Significant Cross-Sell Opportunity Across Core Service Center Customer Network*

**TRANSPORTATION**

Hose Clamps  
Fuses  
Bulbs

**SHOP SUPPLIES**

Lighting  
Batteries  
Brushes

**SAFETY**

Hand, Eye & Hearing Protection

**ELECTRICAL**

Wire Terminals  
Cable

**VENDING**

Safety Gloves  
Batteries



**CHEMICALS**

Lubricants  
Degreasers  
Cleaners

**FITTINGS**

Hydraulic Parts  
Washers  
Fasteners

**ASSORTMENTS**

Cutting Tools  
Electrical

**CUTTING TOOLS**

Drill Bits  
Taps  
Hole Saws

**FASTENERS**

Nuts  
Bolts  
Screws

**SPILL STATION**

Pads  
Rolls  
Hazmat

**“Core Business” Manufacturing**

**Applied MSS<sup>SM</sup>**  
VMI & Vending Solution for MRO & Safety Supplies

**Calibration Lab**

**Applied MSS<sup>SM</sup>**  
VMI & Vending Solution for Tool Tracking & Security

**Office**

**Applied MSS<sup>SM</sup>**  
Digital Inventory Management System Supporting C-Class Inventory Management

**Machine Shop**

**Applied MSS<sup>SM</sup>**  
VMI Solution Cutting Tool, Abrasives, Fastener Supply Management

**Maintenance**

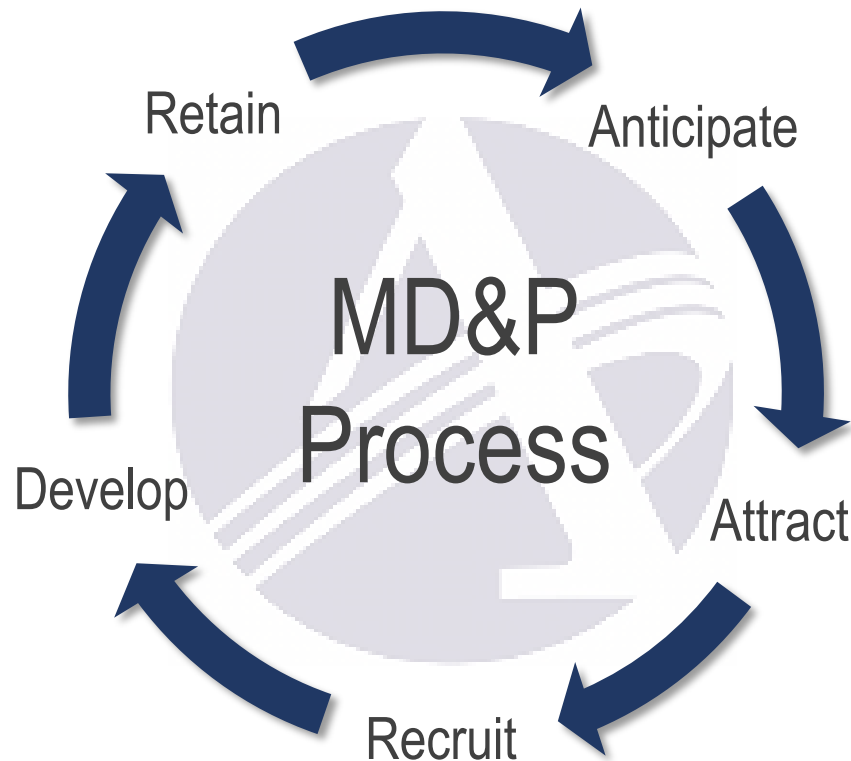
**Applied MSS<sup>SM</sup>**  
VMI & Vending Solutions to Manage General Facility Repair & Maintenance

**Employee Entrance**

**Applied MSS<sup>SM</sup>**  
Vending Solution For Employee Equipment, Safety Supplies, Rechargeable Devices

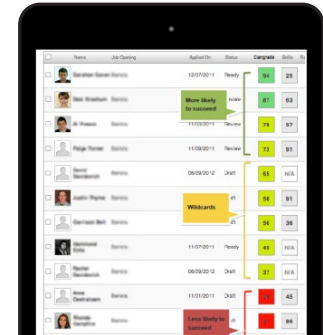
## Management Development & Planning

- Expanding Organizational Vitality
- Enhancing Performance & Realizing Potential
- Creating Succession & Organizational Plans
  - Top Talent – Development & Retention



## Strengthening Leadership & Organizational Capabilities

- Integrated HR Information System Enhancing the Hire-to-Retire Process
  - Recruitment
  - Performance Management
  - Career Development
  - Succession
- Competency-Focused Career Website
- Robust Data Analytics for Selection & Development
- Direct Communication to 30,000+ Candidates Through Talent Network
- Competency-based Career Ladders & Focused Training Framework:
  - 70% On-the-Job Training
  - 20% Project-Based Training
  - 10% Formal Training



Skill	Effect on Quota Percentage	Effect on Total Contract Value	Room for Skill Improvement	Relative Perceived Importance	Development Priority	Skills to Add to Your Radar*
Quick Qualification	High	High	High	High	Very High	
Using Sales Processes	High	Moderate	High	Moderate	Very High	X
Focus on Value Creation	High	Moderate	High	High	Very High	
Identifying Performance Gaps	Moderate	Moderate	Very High	Moderate	Very High	X
Identifying Customer Needs	High	Moderate	Moderate	High	High	
Monitoring Performance	High	Low	High	Low	High	X

## Our ESG Focus Takes Many Forms

- Over 100 years of conducting business ethically & responsibly
- Low-carbon footprint as a distributor
- Advise customers on energy savings & reducing their carbon footprint
- Implementing greener practices in our own operations
- Promoting diversity & continuous learning across our organization
- Supporting the well-being of our associates & our communities



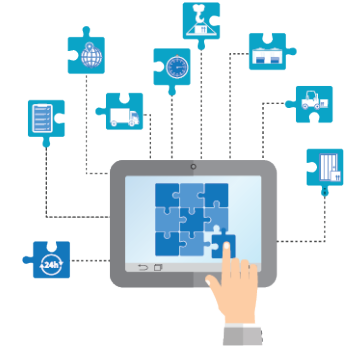
## Core Values

- Reflect our foundation, present & future
- Guide actions & reinforce required performance
- Represent collective business & individual responsibilities



## Corporate Governance

- Diverse, seasoned executives
- Accepted principles & practices
- Integrity & transparency in financial reporting



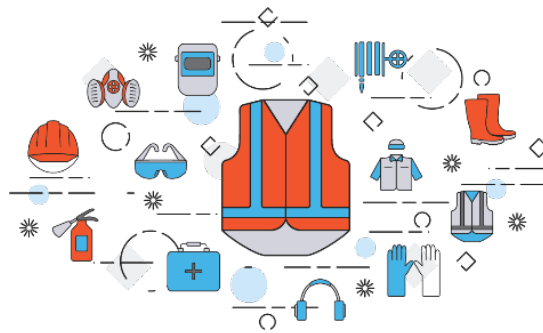
## Supply Chain Management

- Quality brands; world-class manufacturers
- Supplier Diversity program
- Conflict Minerals reporting



## Information & Technology

- Established practices & policies
- Enterprise class systems
- Data protection; cybersecurity



## Environmental, Health & Safety

- Emphasis & awareness
- Expectations, roles & responsibilities
- Established EHS Policy



## Sustainability Initiatives

- Comply with government mandates
- Reduce environmental impact
- Provide eco-friendly products, knowledge & operations



## Corporate Citizenship & Human Rights Statement

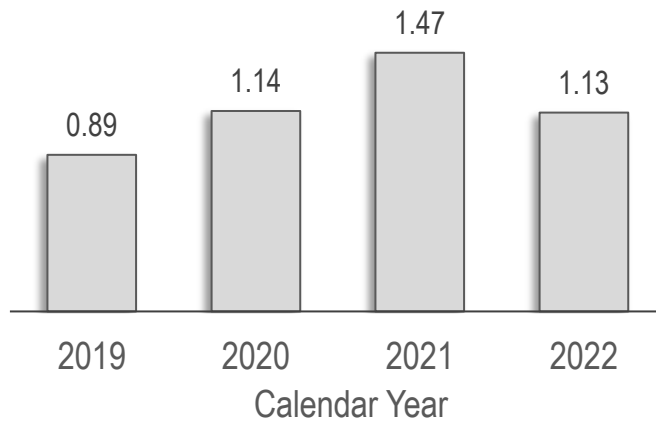
- Equal employment opportunities; equitable pay
- Continuous learning & training
- Employee wellness assistance; community partner

# Safety & Sustainability Performance

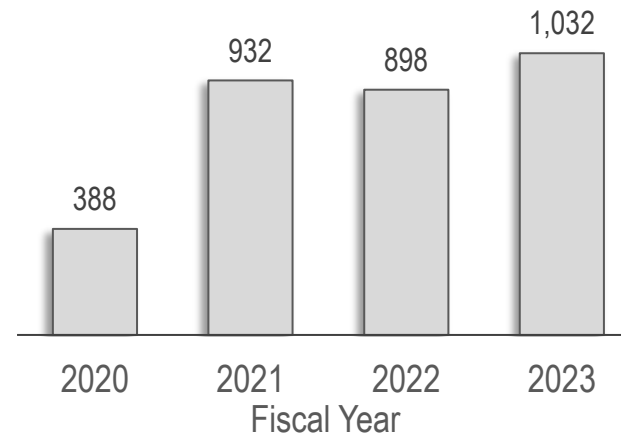
- Dedicated safety focus with comprehensive training programs across company
- Formalized EHS policy, analysis, monitoring, & accountability focus
- Low carbon footprint as a distributor
- Conduct customer energy audits on motors, belting, & gearing
- Develop fluid power systems that improve energy usage, operator safety, and durability
- Process flow control solutions support customers' de-carbonization & energy transition initiatives
- Provide advanced automation solutions that help improve product quality & employee safety
- Promote Eco-Friendly Products - *Energy reduction, recycled content, bio-based, biodegradable, NEMA Premium<sup>®</sup>, Green Seal<sup>®</sup> certified, ENERGY STAR<sup>®</sup>, EcoLogo<sup>®</sup>*

## **Total Recordable Incident Rate (TRIR)**

*Within U.S.; Net of impact from cases tied to COVID-19*



## **Behavior-Based Safety Observations \***



\* Behavior-Based Safety Observations represent positive statements of safe performance within Applied's Distribution Center Leader Safety Scorecard

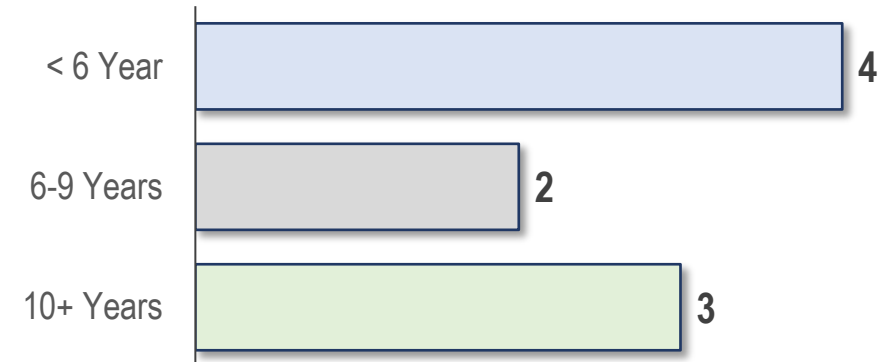


## Key Governance Features

- Independent Chairman; all directors independent except CEO
- Key committees composed of only independent directors
- Women represent 33% of board members
- Strong “Pay for Performance” compensation practices
  - 82% of CEO compensation in fiscal 2023
- Equity award vesting rewards long-term, sustained performance
- Robust stock ownership guidelines for officers & directors
  - 5x salary for CEO, 3x for other executive officers

## Board Refreshment & Tenure

### Average Tenure of Board Members



## Management Incentive Structure Summary

### Incentive Compensation Components

#### Annual Cash Incentives:

Based on Performance Relative to Targets of:

- Net Income
- Average Working Capital Percent of Sales

#### Long-Term Equity Based Incentives:

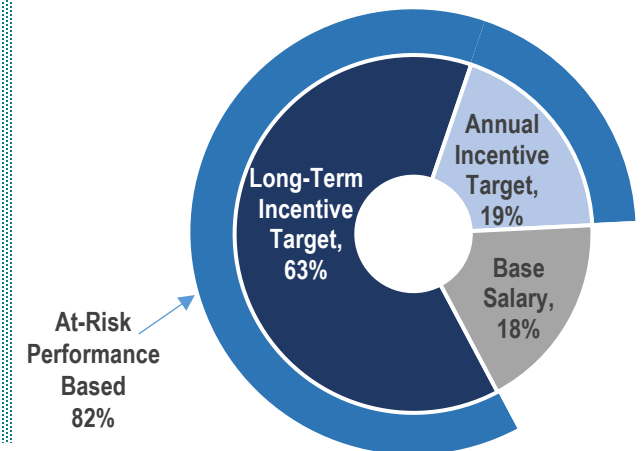
Based on Three-Year Performance Relative to Targets of:

- EBITDA
- Return on Assets

### Long-Term Equity Based Incentive Mix

- Performance Shares – **50%**
  - Achievement of three-year goals
- Stock Appreciation Rights – **25%**
  - Four-year (25% graded) vesting period
- Restricted Stock Units – **25%**
  - Three-year cliff vesting period

### CEO Target Compensation Mix





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# Appendix

# Appendix: Reconciliations

## EBITDA, Adjusted EBITDA, & Adjusted EBITDA Margin

<i>(dollar amount in thousands)</i>	Twelve Months Ended June 30							
	2017	2018	2019	2020	2021	2022	2023	2024
Net Income	\$133,910	\$141,625	\$ 143,993	\$24,042	\$144,757	\$257,414	\$346,739	\$385,762
Interest expense, net	8,541	23,485	40,188	36,535	30,592	26,263	21,639	2,831
Income tax expense	33,056	63,093	50,488	31,194	32,305	72,376	103,072	112,368
Depreciation and amortization of property	15,306	17,798	20,236	21,196	20,780	21,676	22,266	23,431
Amortization of intangibles	24,371	32,065	41,883	40,499	34,365	31,879	30,805	28,923
<b>EBITDA</b>	<b>\$215,184</b>	<b>\$278,066</b>	<b>\$296,788</b>	<b>\$153,466</b>	<b>\$262,799</b>	<b>\$409,608</b>	<b>\$524,521</b>	<b>\$553,315</b>
Goodwill & intangible impairment			\$31,594	\$131,000	\$49,528			
Non-routine costs		\$6,123	\$2,300	\$8,992	\$5,163			
<b>Adjusted EBITDA</b>	<b>\$215,184</b>	<b>\$284,189</b>	<b>\$330,682</b>	<b>\$293,458</b>	<b>\$317,490</b>	<b>\$409,608</b>	<b>\$524,521</b>	<b>\$553,315</b>
Sales	\$2,593,746	\$3,073,274	\$3,472,739	\$3,245,652	\$3,235,919	\$3,810,676	\$4,412,794	\$4,479,406
<b>Adjusted EBITDA Margin</b>	<b>8.3%</b>	<b>9.2%</b>	<b>9.5%</b>	<b>9.0%</b>	<b>9.8%</b>	<b>10.7%</b>	<b>11.9%</b>	<b>12.4%</b>

## Adjusted Gross Margin

<i>(dollar amount in thousands)</i>	Twelve Months Ended June 30							
	2017	2018	2019	2020	2021	2022	2023	2024
<b>Net Sales</b>	<b>\$2,593,746</b>	<b>\$3,073,274</b>	<b>\$3,472,739</b>	<b>\$3,245,652</b>	<b>\$3,235,919</b>	<b>\$3,810,676</b>	<b>\$4,412,794</b>	<b>\$4,479,406</b>
Gross Profit	\$737,665	\$883,995	\$1,008,323	\$937,736	\$935,524	\$1,106,916	\$1,286,965	\$1,336,653
Non-routine expense in cost of sales				\$3,900	\$7,369			
<b>Adjusted Gross Profit</b>	<b>\$737,665</b>	<b>\$883,995</b>	<b>\$1,008,323</b>	<b>\$941,636</b>	<b>\$942,893</b>	<b>\$1,106,916</b>	<b>\$1,286,965</b>	<b>\$1,336,653</b>
<b>Adjusted Gross Margin</b>	<b>28.4%</b>	<b>28.8%</b>	<b>29.0%</b>	<b>29.0%</b>	<b>29.1%</b>	<b>29.0%</b>	<b>29.2%</b>	<b>29.8%</b>

# Appendix: Reconciliations

## Free Cash Flow

<i>(dollar amount in thousands)</i>	Fiscal Year, Ended June 30											
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Cash provided by Operating Activities	\$111,397	\$110,110	\$157,007	\$162,014	\$164,619	\$147,304	\$180,601	\$296,714	\$241,697	\$187,570	\$343,966	\$371,393
Capital Expenditures	(12,214)	(20,190)	(14,933)	(13,130)	(17,045)	(23,230)	(18,970)	(20,115)	(15,852)	(18,124)	(26,476)	(24,864)
<b>Free Cash Flow</b>	<b>\$99,183</b>	<b>\$89,920</b>	<b>\$142,074</b>	<b>\$148,884</b>	<b>\$147,574</b>	<b>\$124,074</b>	<b>\$161,631</b>	<b>\$276,599</b>	<b>\$225,845</b>	<b>\$169,446</b>	<b>\$317,490</b>	<b>\$346,529</b>
3-Year Rolling Average Free Cash Flow		\$84,501	\$110,392	\$126,959	\$146,177	\$140,177	\$144,426	\$187,435	\$221,358	\$223,963	\$237,594	\$277,822

## Net Leverage Ratio

<i>(dollar amount in thousands)</i>	Fiscal Quarter											
	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
<b>Net Income</b>	\$52,969	\$57,026	\$68,306	\$79,113	\$76,880	\$80,457	\$97,187	\$92,215	\$93,826	\$91,228	\$97,217	\$103,491
Interest expense, net	7,390	7,007	5,852	6,014	6,480	6,185	4,773	4,201	1,320	1,917	265	(671)
Income tax expense	14,567	15,013	21,216	21,580	22,164	25,493	25,093	30,322	25,103	24,373	25,448	37,444
Depreciation and amortization	5,427	5,436	5,352	5,461	5,481	5,552	5,565	5,668	5,717	6,048	5,802	5,864
Amortization of intangibles	8,121	8,084	7,891	7,783	7,705	7,814	7,670	7,616	7,393	7,257	6,951	7,322
<b>EBITDA</b>	<b>\$88,474</b>	<b>\$92,566</b>	<b>\$108,617</b>	<b>\$119,951</b>	<b>\$118,710</b>	<b>\$125,501</b>	<b>\$140,288</b>	<b>\$140,022</b>	<b>\$133,359</b>	<b>\$130,823</b>	<b>\$135,683</b>	<b>\$153,450</b>
Goodwill & intangible impairment Non-routine costs												
<b>Adjusted EBITDA</b>	<b>\$88,474</b>	<b>\$92,566</b>	<b>\$108,617</b>	<b>\$119,951</b>	<b>\$118,710</b>	<b>\$125,501</b>	<b>\$140,288</b>	<b>\$140,022</b>	<b>\$133,359</b>	<b>\$130,823</b>	<b>\$135,683</b>	<b>\$153,450</b>
<b>Trailing 4-Quarter EBITDA</b>	\$338,401	\$362,692	\$384,478	\$409,608	\$439,844	\$472,779	\$504,450	\$524,521	\$539,170	\$544,492	\$539,887	\$553,315
Current portion of long-term debt	88,401	40,182	40,166	40,174	181	25,189	25,196	25,170	25,171	25,159	25,107	25,055
Long-term debt	730,307	681,266	681,197	649,150	649,103	624,052	597,006	596,926	596,883	571,854	571,862	572,279
Total Debt	\$818,708	\$721,448	\$721,363	\$689,324	\$649,284	\$649,241	\$622,202	\$622,096	\$622,054	\$597,013	\$596,969	\$597,334
Cash	247,313	154,843	188,084	184,474	147,575	165,538	182,127	344,036	360,415	412,855	456,533	460,617
<b>Net Debt</b>	<b>\$571,395</b>	<b>\$566,605</b>	<b>\$533,279</b>	<b>\$504,850</b>	<b>\$501,709</b>	<b>\$483,703</b>	<b>\$440,075</b>	<b>\$278,060</b>	<b>\$261,639</b>	<b>\$184,158</b>	<b>\$140,436</b>	<b>\$136,717</b>
<b>Net Leverage Ratio</b>	<b>1.7</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>